

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6768

BILL NUMBER: SB 214

NOTE PREPARED: Dec 29, 2009

BILL AMENDED:

SUBJECT: Slot Machine Wagering Tax.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the slot machine wagering tax imposed on racetrack casinos is calculated using taxable receipts that are calculated excluding amounts paid to support horse racing, for the county slot machine fee, and for the supplemental fee paid to the French Lick casino. The bill phases in the exclusion over four years and repeals an obsolete definition.

Effective Date: July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary:* The bill reduces the taxable base for the state slot machine wagering tax beginning in FY 2011, by allowing deductions for the county and supplemental slot machine taxes and the required payments to the horse racing industry. The bill phases in the deduction in roughly equal proportions over four years, with the taxes and required payments described above being fully deductible from the slot machine wagering tax base beginning in FY 2014. It is estimated that the partial deduction in FY 2011 could reduce revenue from the slot machine wagering tax by \$7.3 M in FY 2011. The revenue loss could grow by an average of about 60% per year during the remainder of phase-in period from FY 2012 to FY 2014. The revenue loss could grow by 3% to 4% annually beginning in FY 2015. Revenue from the tax is distributed to the state General Fund.

The revenue loss estimate is based on the December 15, 2009, Revenue Technical Committee forecast of adjusted gross receipts (AGR) from gaming at the state's two racinos in FY 2011.

Background Information: Under current statute, the Hoosier Park and Indiana Live racinos pay the wagering taxes described in (1)-(3) below and make the required payments to the horse racing industry described in (4) below.

(1) The state slot machine wagering tax is the graduated tax on adjusted gross receipts from gaming on slot machines at the state's two racinos. It is estimated that this tax could generate \$122.1 M in FY 2011. Revenue from this tax is distributed to the state General Fund. The rate structure of the tax is summarized in the table below:

| Taxable AGR Increment Earned July 1st to June 30th | Tax Rate on AGR Increment |
|---|--------------------------------------|
| \$100 M and under | 25% |
| Over \$100 M up to \$200 M | 30% |
| Over \$200 M | 35% |

(2) The county slot machine wagering tax is equal to 3% of AGR generated during the fiscal year, up to a maximum of \$8.0 M in annual tax liability. It is estimated that this tax could generate a total of \$13.0 M in FY 2011. Revenue from this tax is distributed to local units in Madison County and Shelby County.

(3) The supplemental slot machine wagering tax is equal to 1% of AGR generated during the fiscal year. It is estimated that this tax could generate \$4.3 M in FY 2011. This tax sunsets on July 1, 2012, and the revenue from this tax is distributed to the French Lick Casino.

(4) The racinos are required to pay 15% of their annual AGR to the following purposes: (a) the state Gaming Integrity Fund; (b) the state Breed Development Funds; (3) private horsemen's associations; and (d) horse racing purses. It is estimated these payments could total \$65.2 M in FY 2011.

The bill would change the base for the state slot machine wagering tax from AGR to "taxable receipts". Taxable receipts would be AGR minus the taxes and required payments described in (2)-(4) above.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Gaming Commission; Department of State Revenue.

Local Agencies Affected:

Information Sources: Revenue Technical Committee Forecast (December 15, 2009).

Fiscal Analyst: Jim Landers, 317-232-9869.